

Economy Crashing: Planning for the Future

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The Future Will Arrive

- It is REALLY hard to plan for the future even when the economy is strong
- When the economy is crashing planning feels NEARLY IMPOSSIBLE
- Yet the recession will end even if the economy is weak for a long time
- In 2020 there will be more people—to educate, to house, who want better daily travel options and who want to live in great communities

When Will the Recession End?

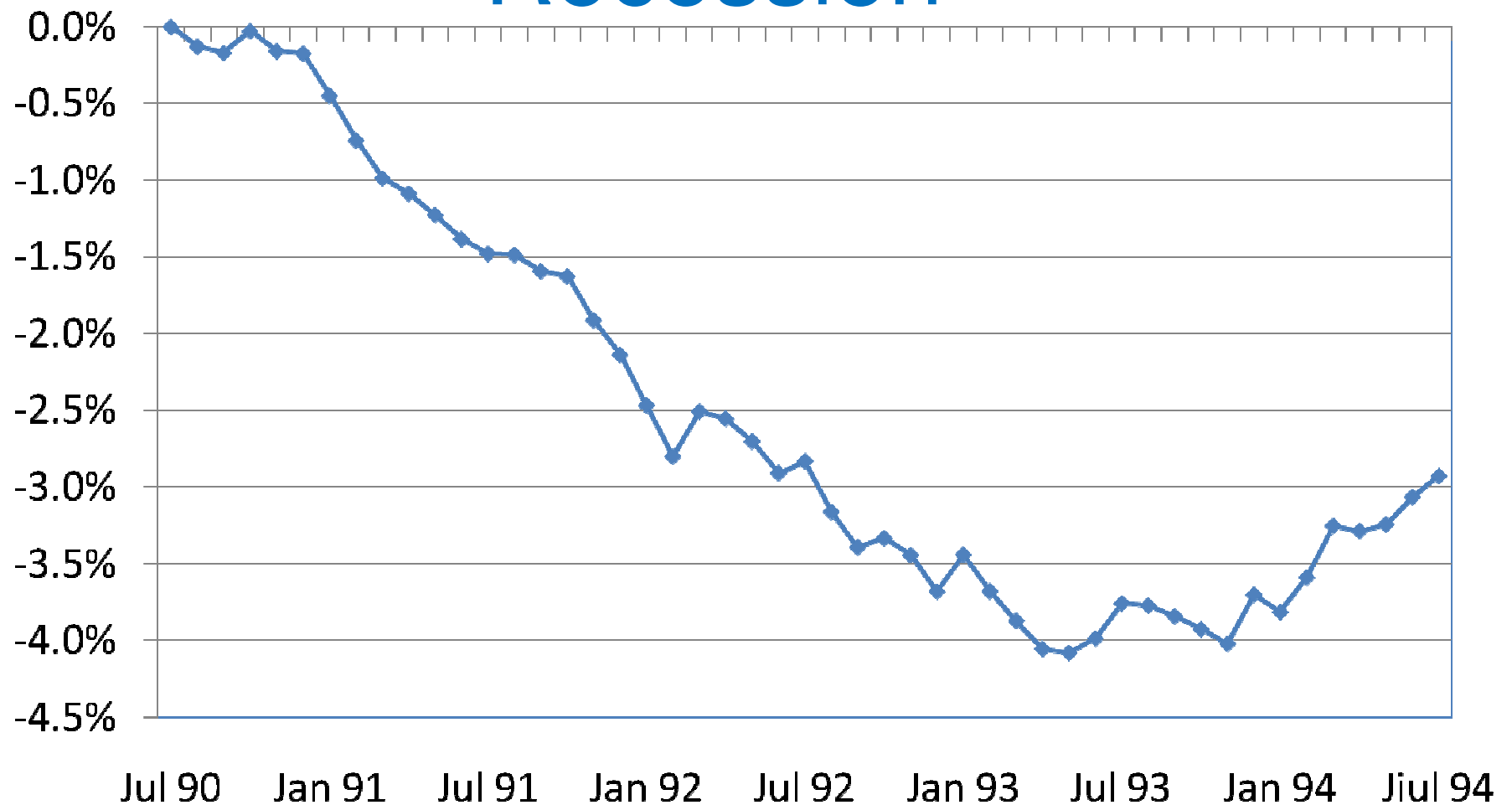
- Some economists say in 2010
- Some economists say in 2011
- A few economists say in 2012
- But if we are planning for California's future in 2020 or 2035, the difference between 2010 and 2012 doesn't matter
- Some aspects of the current recession MAY MATTER for planning and we will discuss these during this session

The 90s' Recession and Now

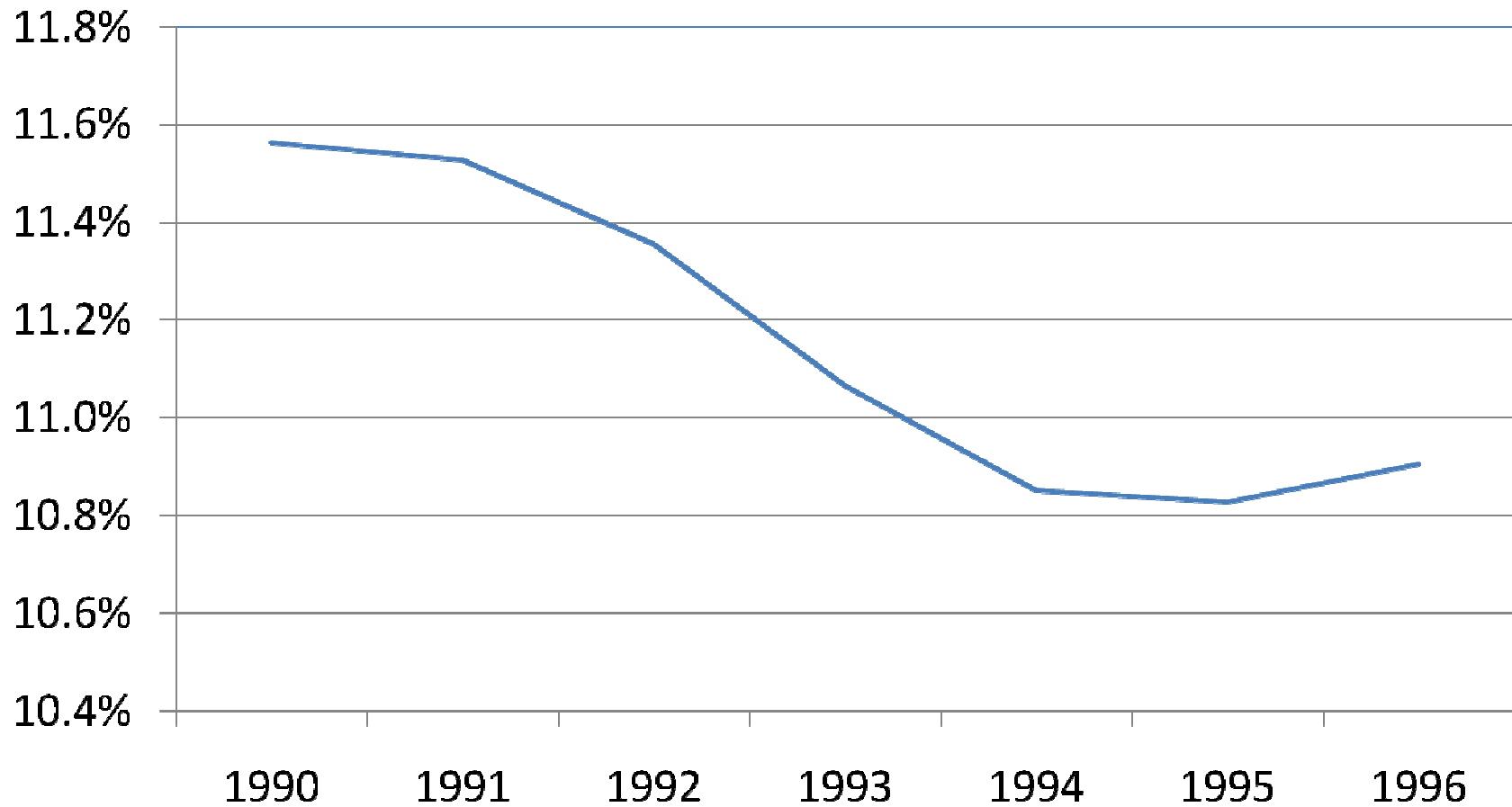
Lessons for the Future

- Both recessions are long and deep
- Both recessions have major housing slumps
- In the 90s CA had a major loss of job share in aerospace and a longer recession
- In the current recession the CA economy is only slightly worse than the national economy based on CA's greater exposure to housing
- The current recession has a financial sector meltdown and substantial loss of

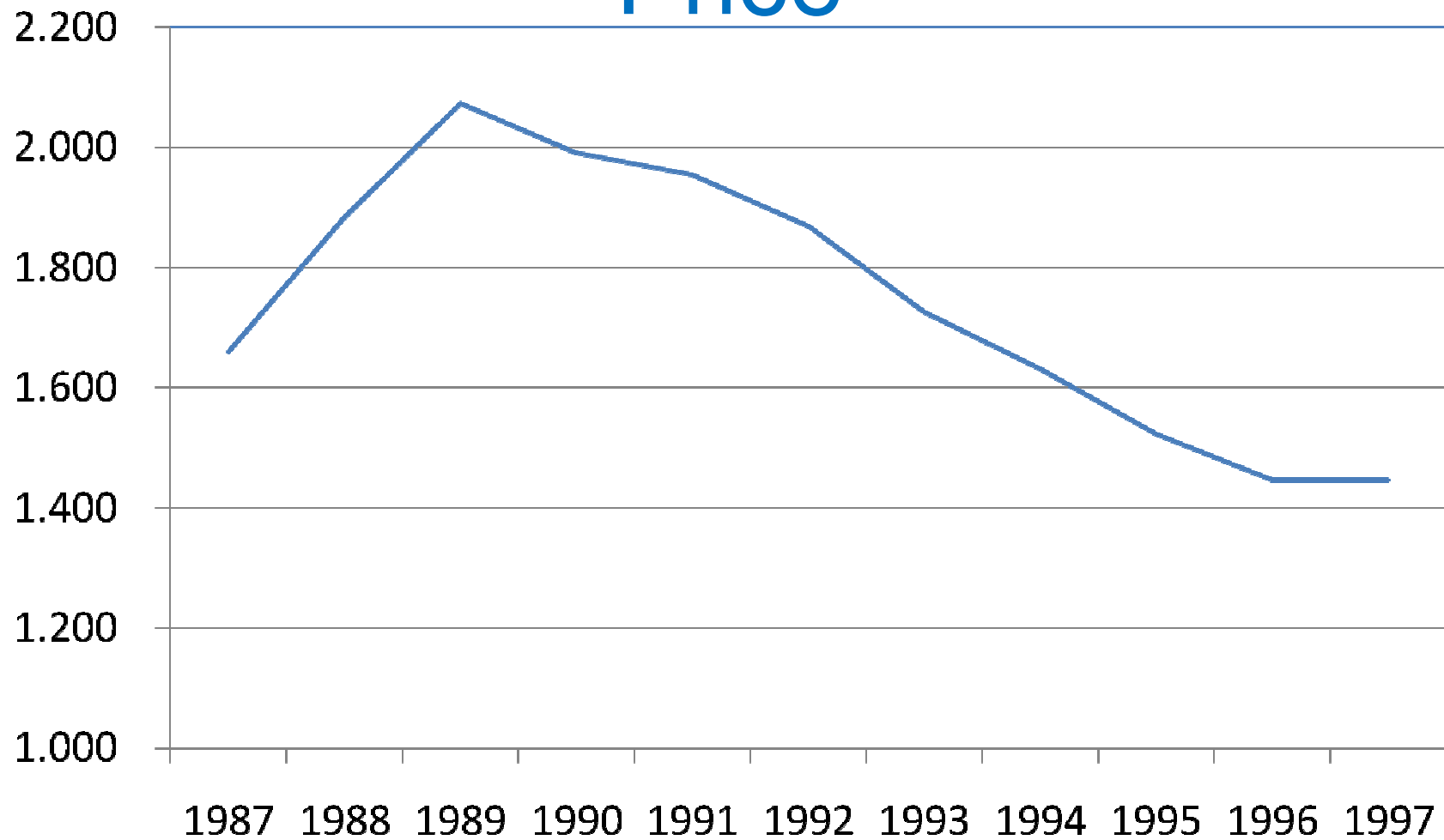
CA Job Loss in the 90s' Recession



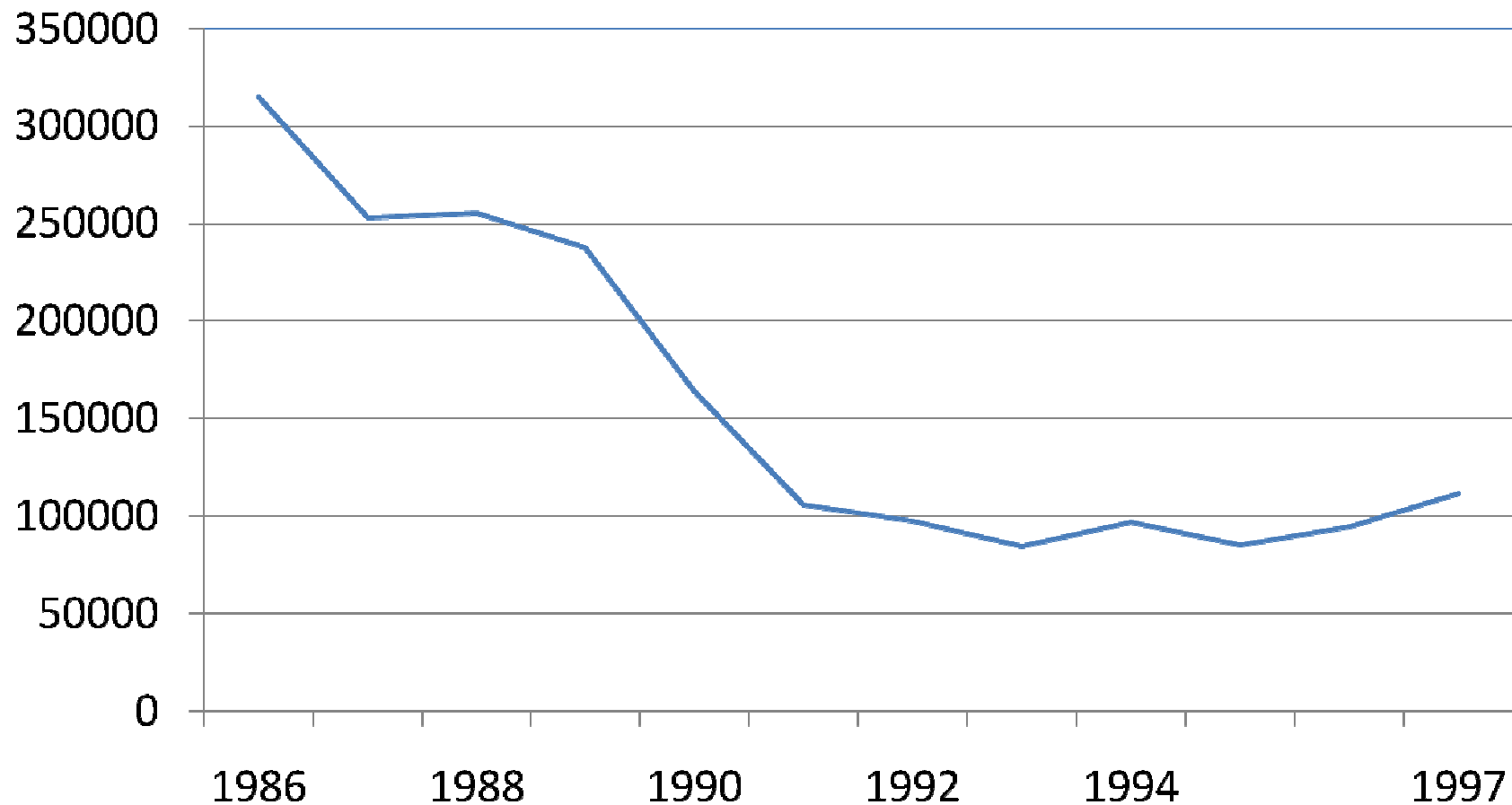
California Share of U.S. Jobs



CA/US Ratio of Median Home Price



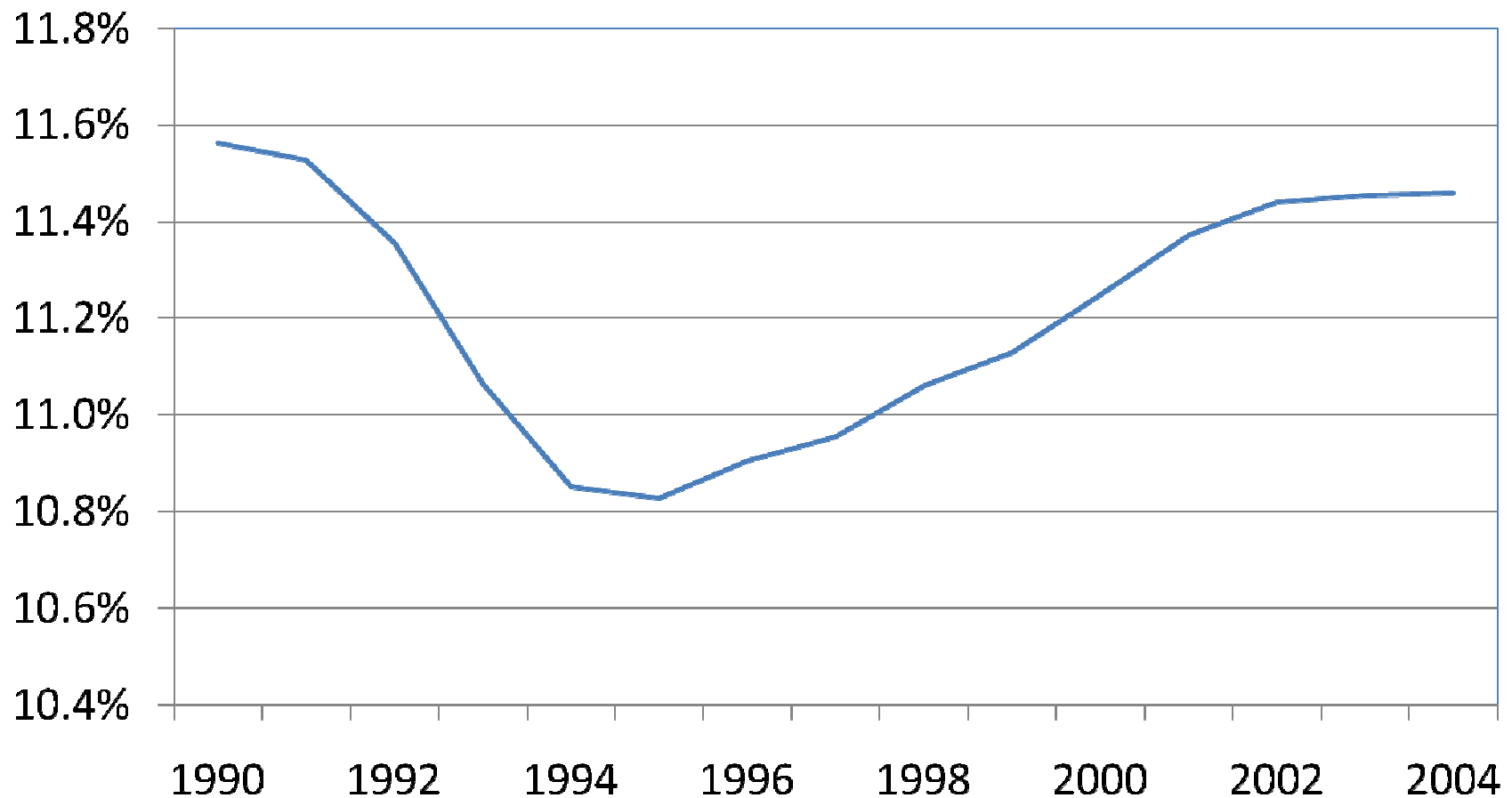
CA Residential Building Permits



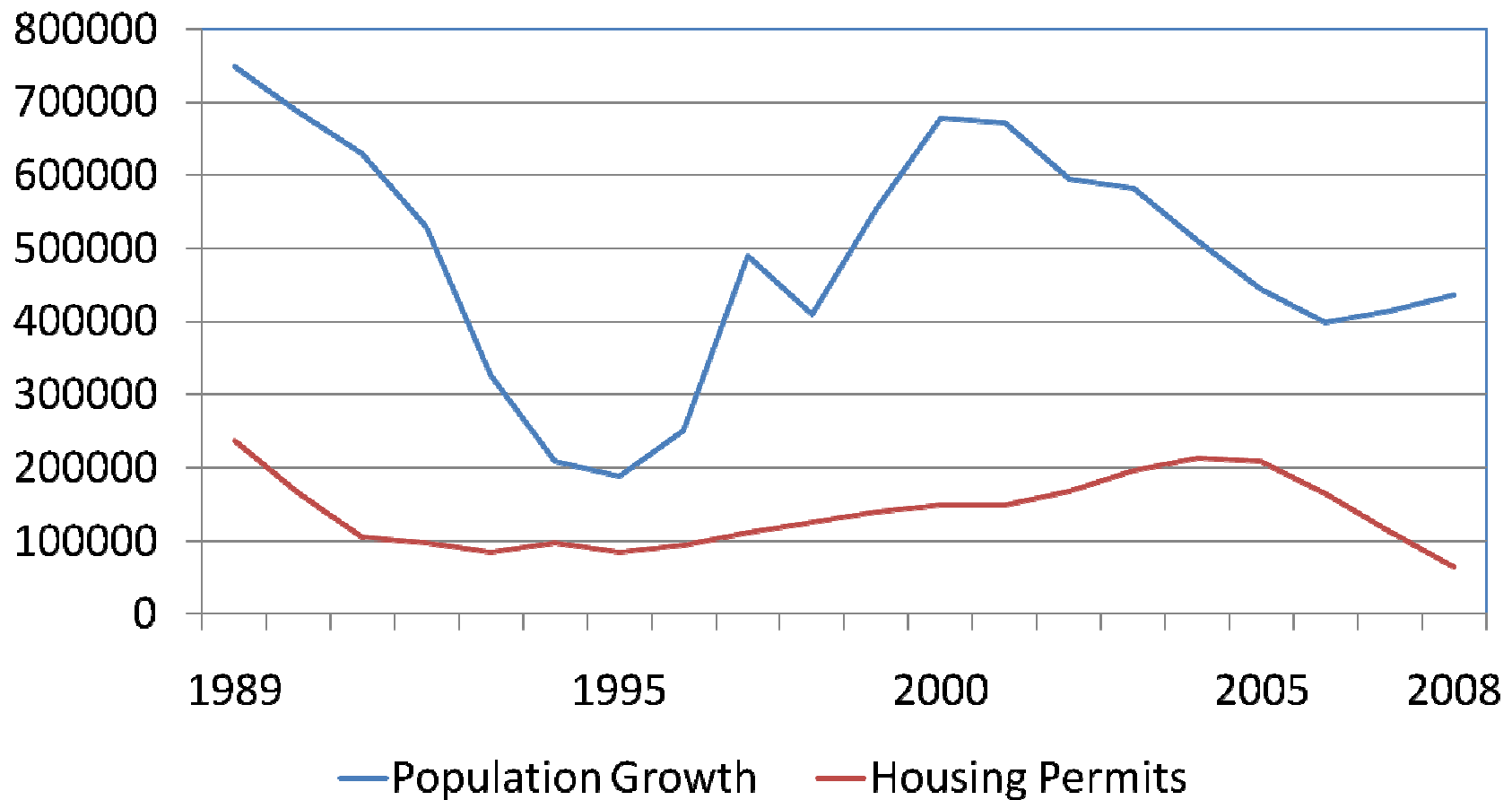
The Economy Recovered and Another Growth Cycle Began

- CA outpaced the nation in job growth as the Internet, foreign trade and venture capital led the way
- Population growth surged again
- Housing construction and prices surged
- And our challenges in planning for the future became apparent
- Until another housing bubble burst—Can we maintain our focus to plan for the future?

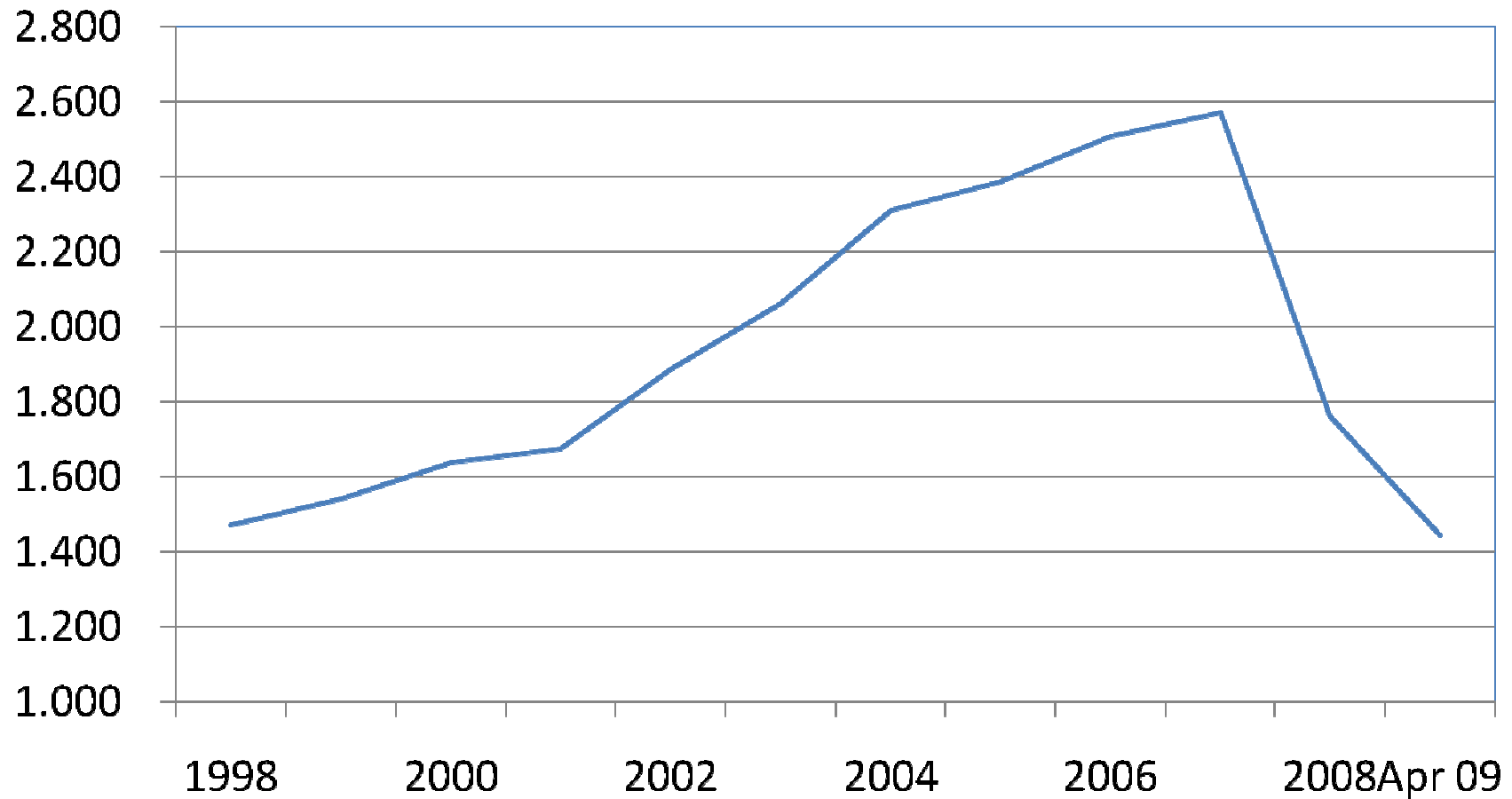
California Share of U.S. Jobs



California Population and Housing Growth

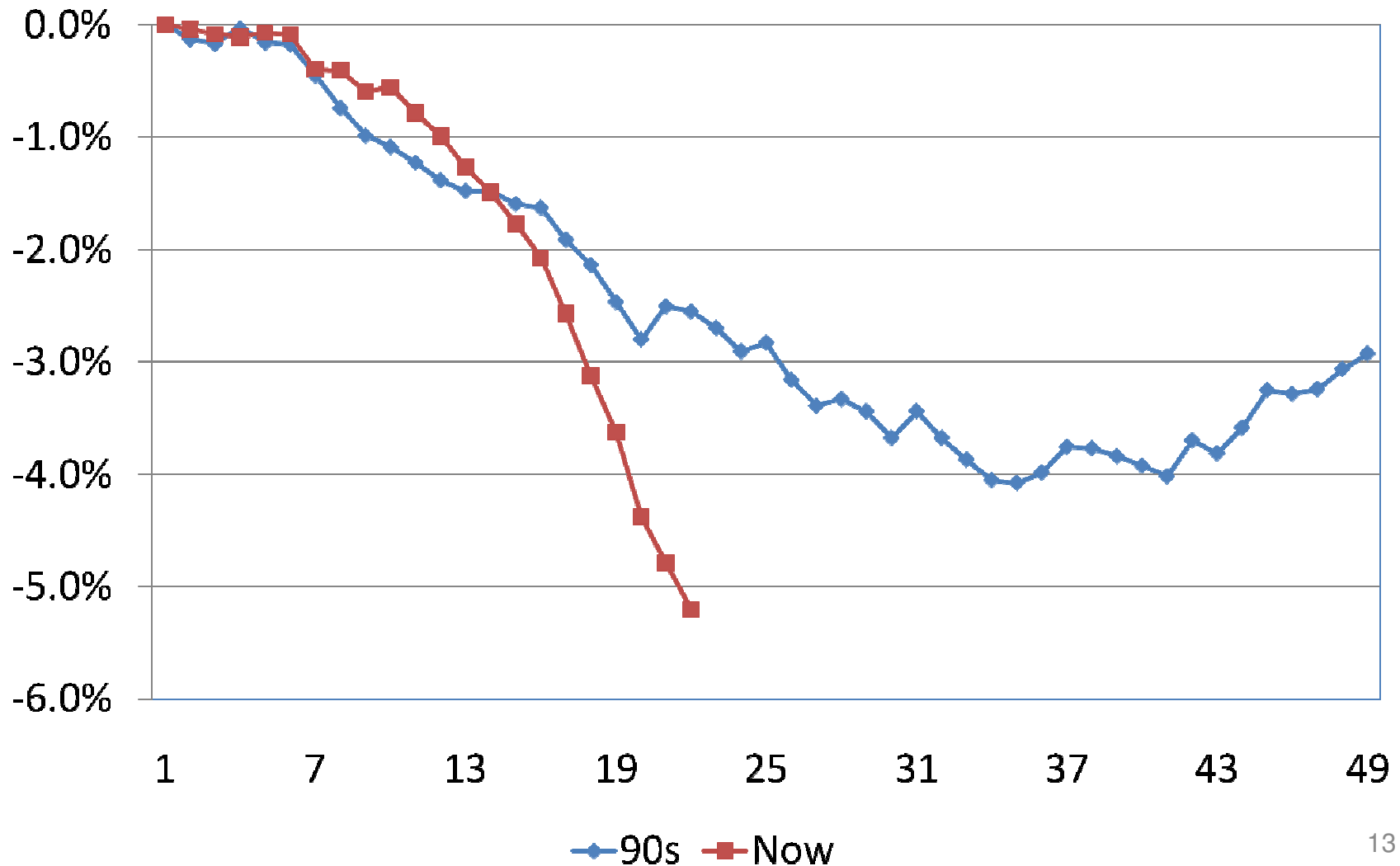


CA/US Ratio of Median Home Price

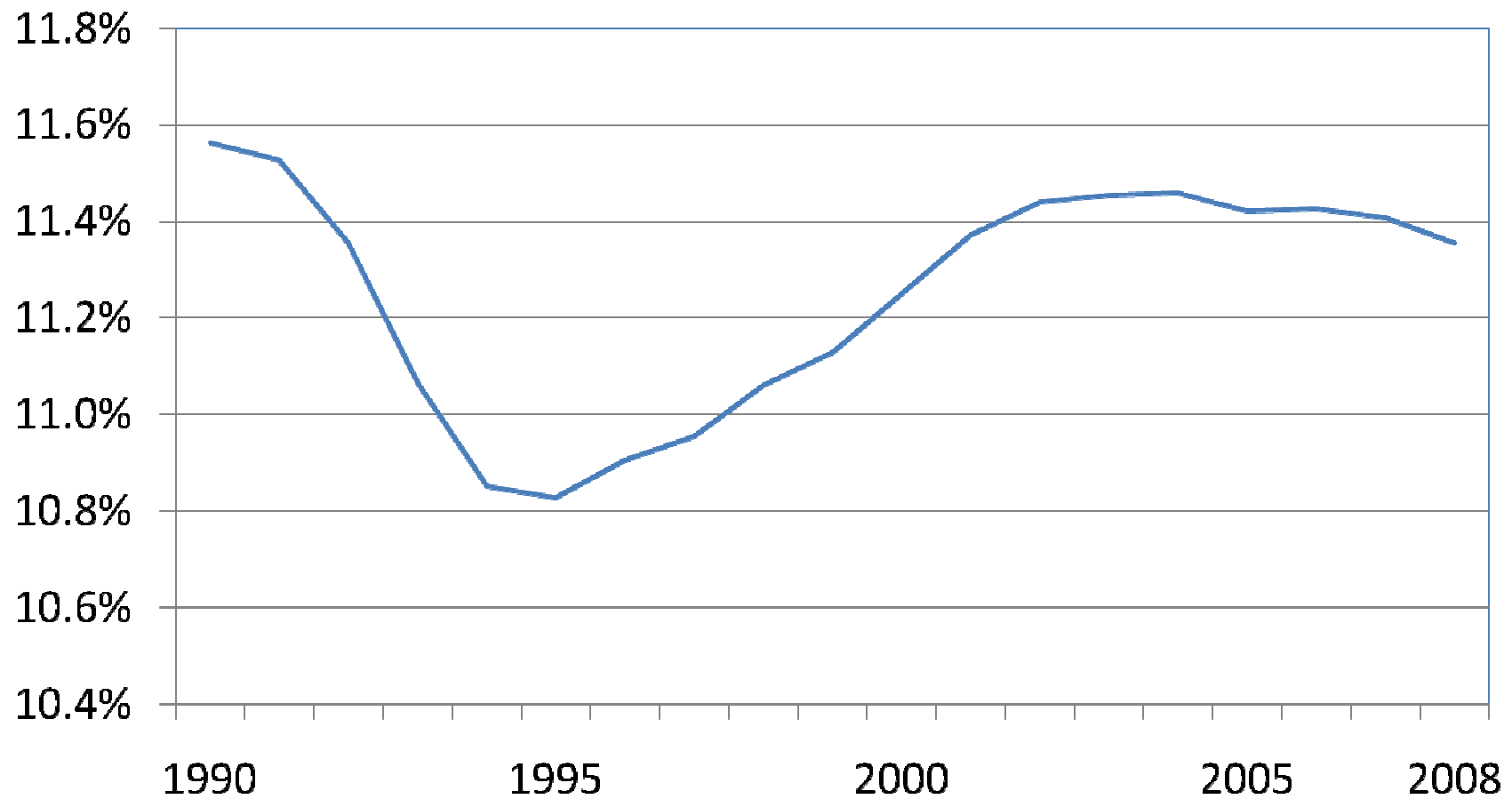


CA Job Loss Then and Now

Months After Recession Started



California Share of U.S. Jobs



The Current Recession: Implications for California Economic Growth

- Larger job losses than in the 90s BUT
- Only a small loss in share, mainly from housing
- This is a NATIONAL recession—Oregon, Nevada and Arizona (our neighbors) all have larger % job losses. Nine states have unemployment rates over 10%.
- SO WHAT WILL THE FUTURE BRING

How to Think About Future CA Growth

- California's job, population and household growth depends on
 - The amount of population and job growth in the nation
 - The attractiveness of California for entrepreneurs, workers and their families
 - The choices made by two fast-growing groups—residents over 55 and the children and grandchildren of immigrants

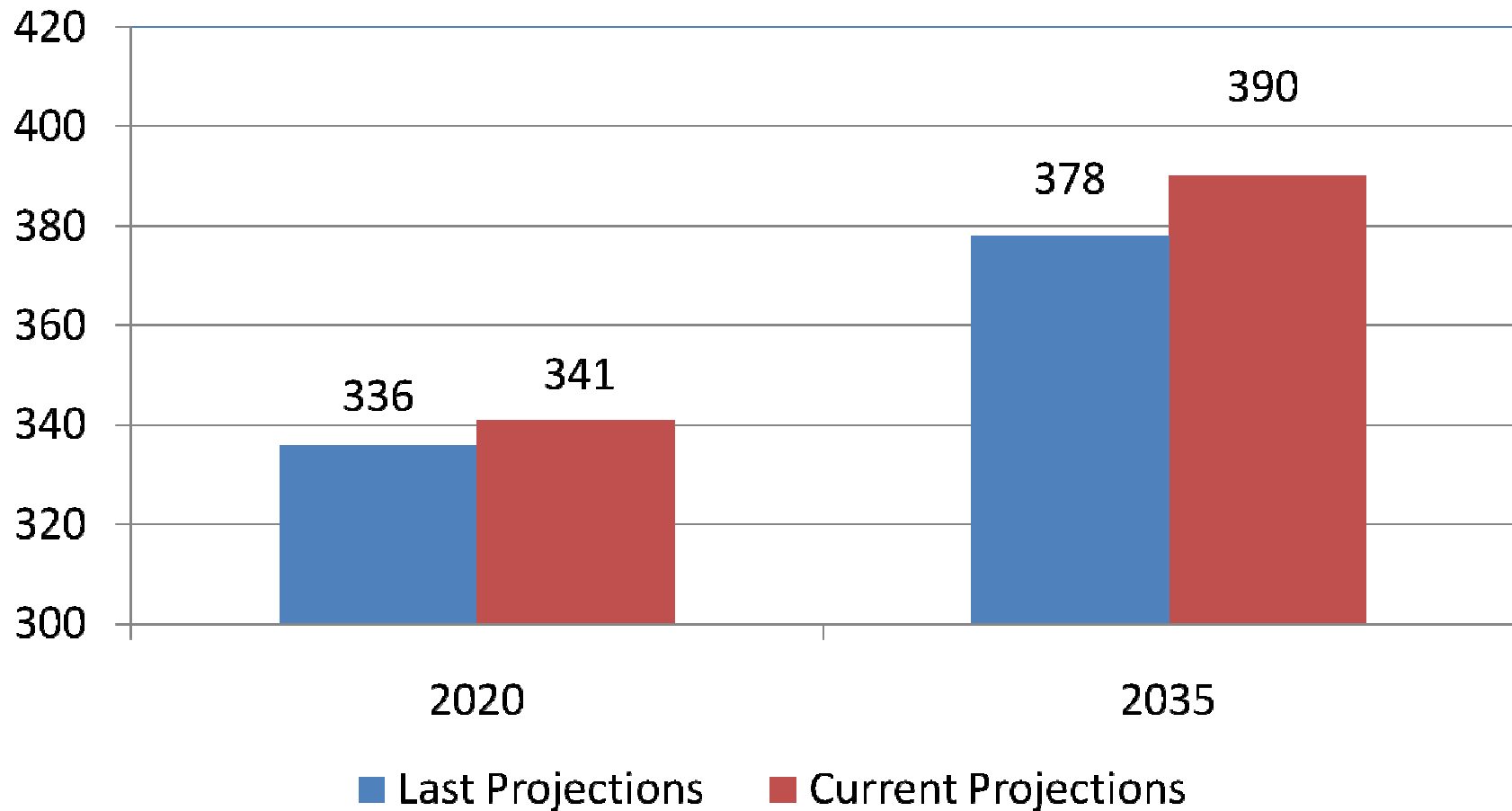
Be Prepared for Growth, Change and Challenges

- U.S. population and jobs will continue to grow
- California has a relatively strong economic base and our strengths are in the fastest-growing sectors in the nation and world
- California is in the midst of a tidal wave of demographic change in age, ethnic composition and, possibly, behavior
- And we face difficult challenges but much of our future is ours to plan for and create

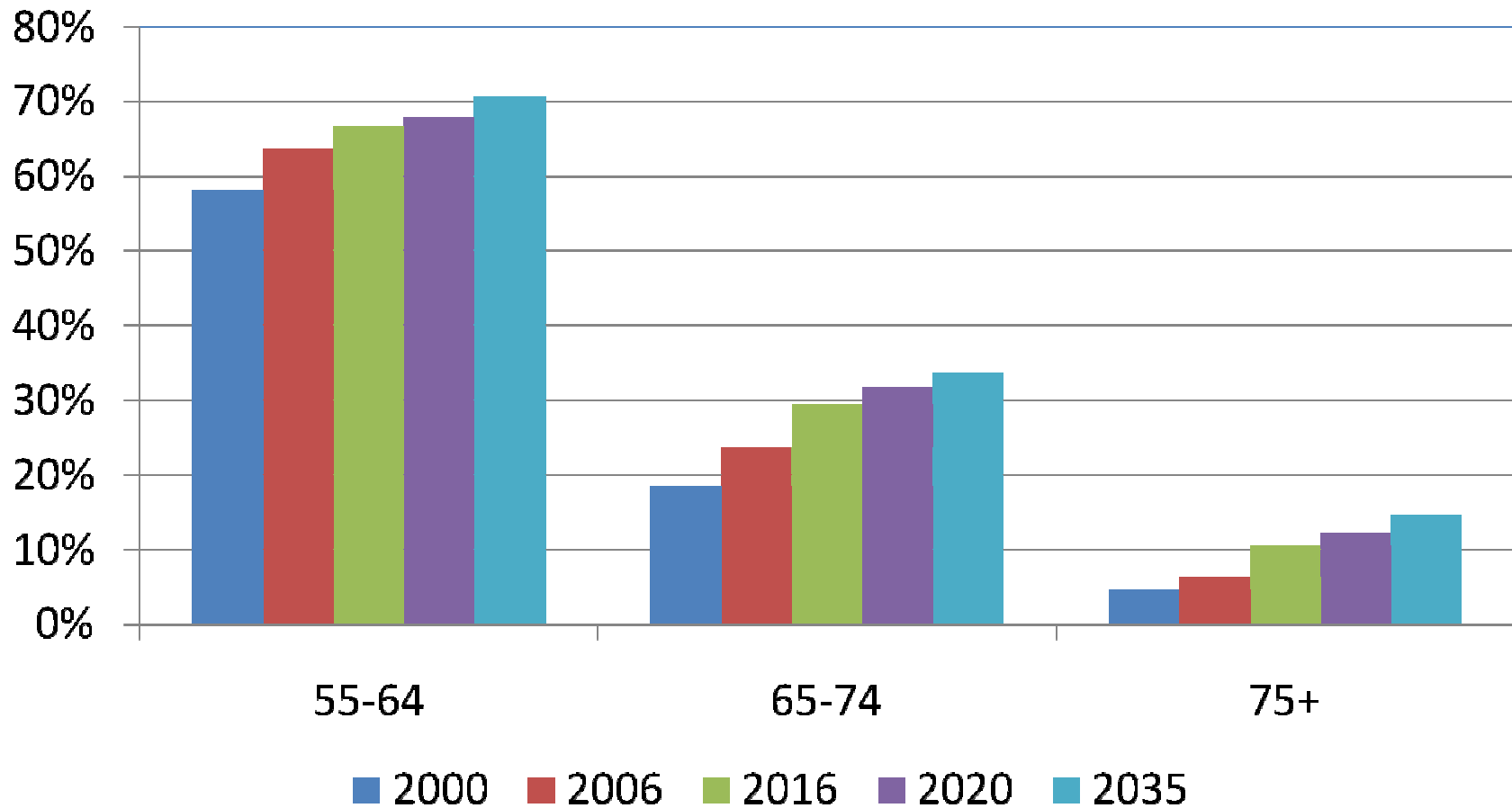
Major Census Bureau U.S. Population Projection Assumptions

- Population will grow by 3 million per year to reach 341 million in 2020 and 390 million in 2035 up from 304 million in 2008
- Immigration will grow from 1.2 million now to 1.6 million by 2025 and 2 million by 2050
- Hispanic fertility rates will decline and overall fertility rates will remain steady
- Population will surge in the 55+ age groups

U.S. Population (Millions) Census Bureau Projections



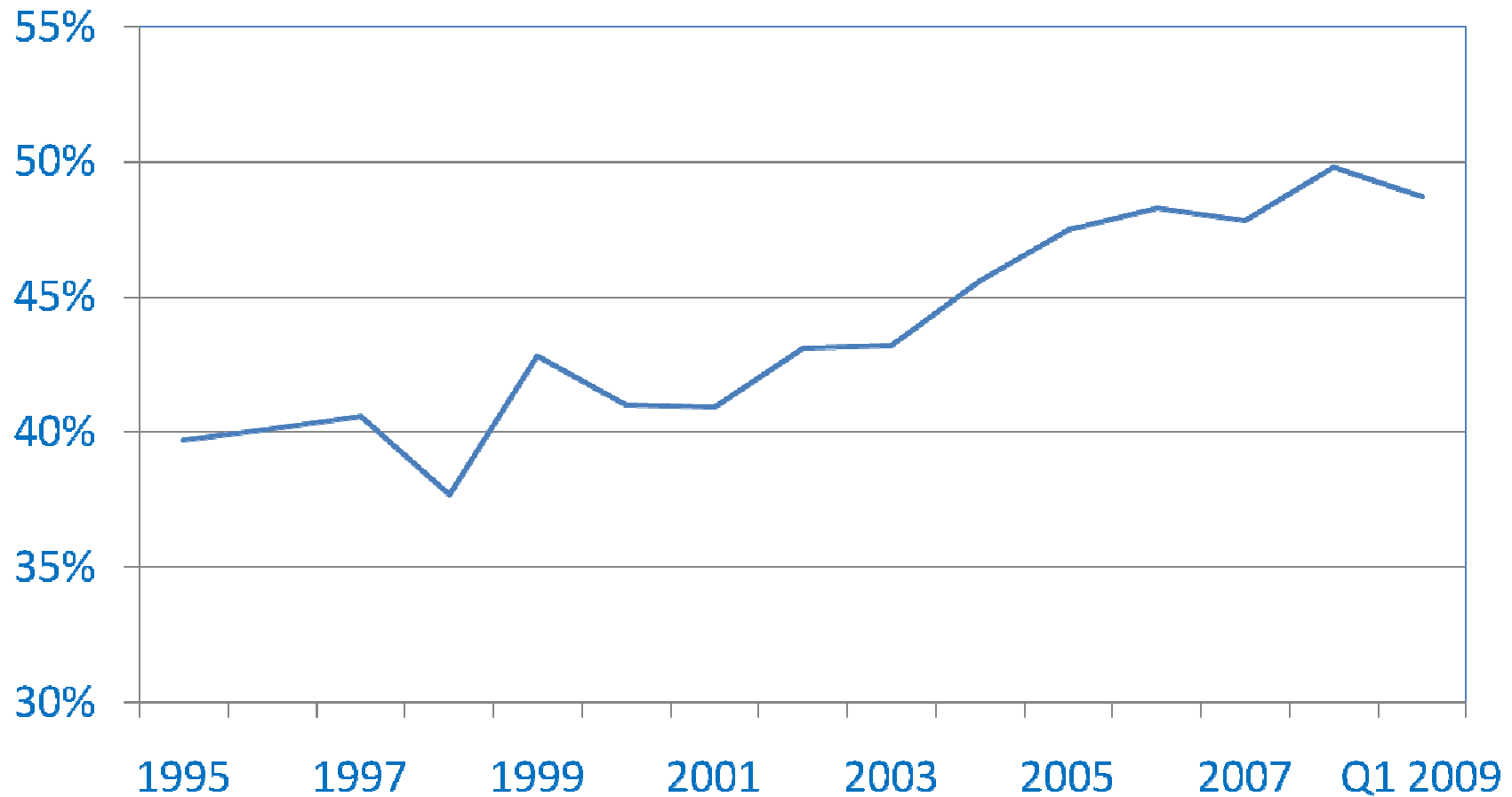
U.S. Labor Force Participation Rates



State Economic Base Well Positioned

- California has strength in faster-growing sectors
 - Professional services and venture capital
 - World trade --Tourism and entertainment
 - Application of technology and design to the creation of new products and services
- The federal agenda for the future is focused on areas where the state can

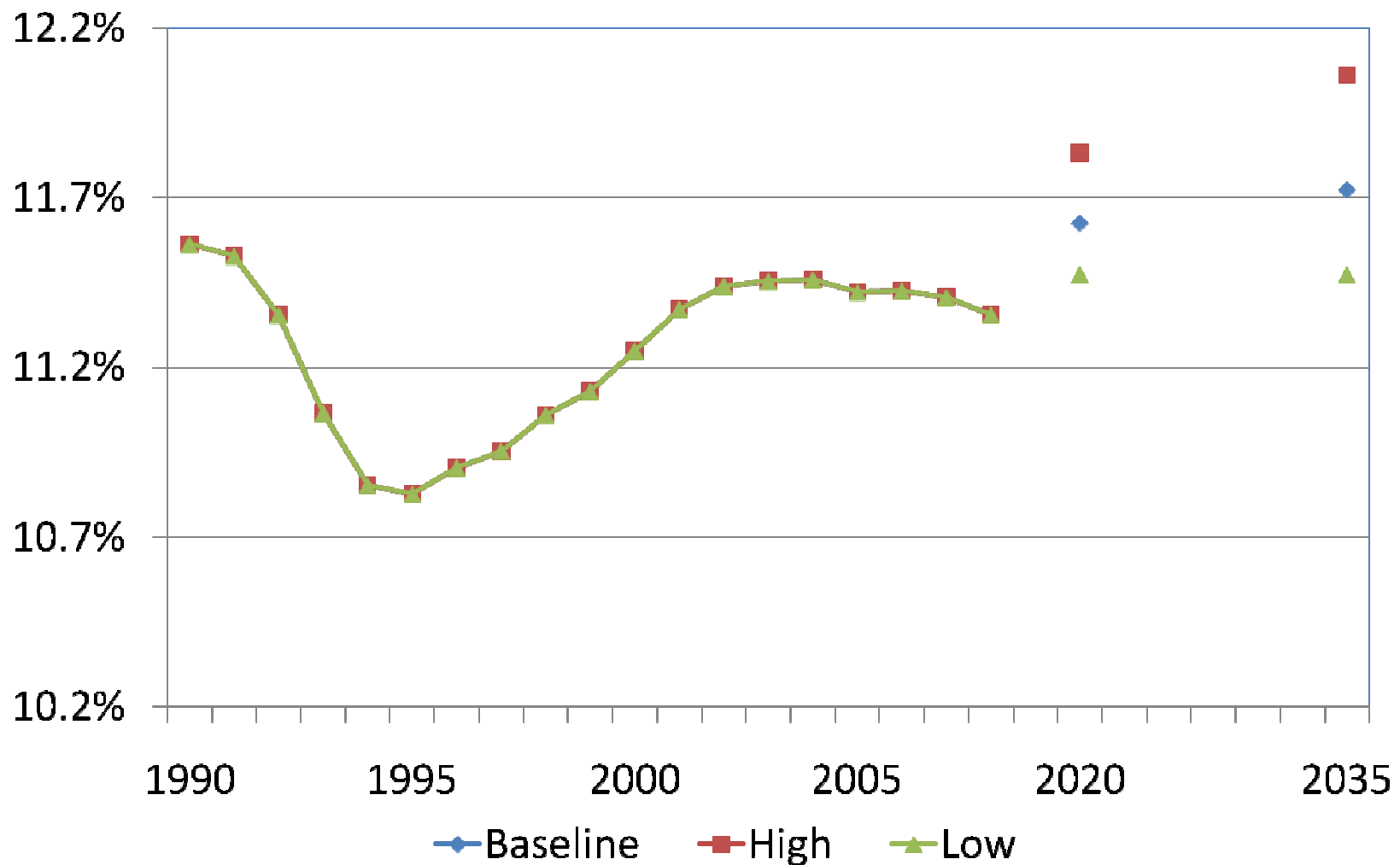
California Share of U.S. Venture Capital Funding



Will California Outpace the Nation in Job Growth

- SCAG recently reviewed existing forecasts and convened a panel to discuss the state and region's future growth
- The opinion of the panel with one dissent was that the state CAN attract an increasing share of new jobs in the nation
- Dowell's and John's presentation will focus on some of the challenges we face to turn opportunities into success

California Share Of U.S. Jobs



Achieving Prosperity with Broad Opportunity—One Economist's Perspective

- Making California a great place to live and work.
- Recognizing that we compete for workers and families as well as for businesses
- Will require public investment—in people, in infrastructure and in communities
- Will require that we make emission and traffic reduction an opportunity, not a burden

Achieving Prosperity with Broad Opportunity—One Economist's Perspective

- Making California a great place to live and work.
- Will need greater housing density on existing infill sites to respond to market demand and regional emission reduction targets
- Will require a budget and funding consensus that allows the needed public investment to occur

Demographic Issues in Achieving Prosperity with Broad Opportunity

- California will join the nation in seeing baby boomers age and eventually retire
- California's new workforce will be increasingly Latino and Asian—the children and grandchildren of native-born and immigrants
- The SCAG panel expects these children and grandchildren to have different (higher) labor force and household forming behavior than their parents.

A Word About Housing

- Household projections can vary for two reasons—1) changes in job growth levels and 2) changes in household formation for any given level of job growth
- Household formation can vary for financial reasons—1) low income growth. 2) poor housing affordability, or 3) lack of new affordable units
- HH formation varies for cultural reasons too
- No time to discuss in panel meeting

Their Choices Matter

- What do California's continuing demographic shifts mean for our state and planning for the future?
- We are joined by two experts, Dowell Myers and John Pitkin, to explore the economic and policy implications of California's future population changes and what is likely to occur